

Mr. Richard Stokes, Chief Financial Officer
Allendale County Memorial Hospital
Post Office Box 218
Fairfax, South Carolina 29827

Re: AC# 3-JEH-J5 – Allendale County d/b/a John Edward Harter Nursing Center

Dear Mr. Stokes:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1994 through September 30, 1995. That report was used to set the rate covering the contract periods beginning October 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate change shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Mr. Richard Stokes, Chief Financial Officer
Allendale County Memorial Hospital
Post Office Box 218
Fairfax, South Carolina 29827

Re: Draft Report – AC# 3-JEH-J5 – Allendale County d/b/a John Edward Harter Nursing
Center

Dear Mr. Stokes:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to me regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report – AC# 3-JEH-J5 – Allendale County d/b/a John Edward Harter Nursing
Center

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact me within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

R. James McClam, CPA
Director of Federal Audits

RJM/sag

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

**ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER**

FAIRFAX, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1996
AC# 3-JEH-J5**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1996	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS OCTOBER 1, 1996 THROUGH SEPTEMBER 30,1997	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1995	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	8

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 13, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Allendale County d/b/a John Edward Harter Nursing Center, for the contract periods beginning October 1, 1996, and for the twelve month cost report period ended September 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Allendale County d/b/a John Edward Harter Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Allendale County d/b/a John Edward Harter Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 13, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1996
AC# 3-JEH-J5

Adjusted reimbursement rate	\$90.81
Interim reimbursement rate (1)	<u>90.65</u>
Increase in reimbursement rate	\$ <u><u>.16</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Periods October 1, 1996 Through September 30, 1997
 AC# 3-JEH-J5

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$40.98	\$40.81	\$40.81
Dietary	<u>-</u>	<u>13.97</u>	<u>10.45</u>	<u>10.45</u>
Subtotal	\$ <u>-</u>	54.95	51.26	51.26
Laundry/Housekeeping/Maintenance	\$ -	9.34	7.17	7.17
Administration & Med. Records	<u>-</u>	<u>10.82</u>	<u>7.82</u>	<u>7.82</u>
Subtotal	\$ <u>-</u>	75.11	<u>\$66.25</u>	66.25
<u>Costs Not Subject to Standards:</u>				
Utilities		7.61		7.61
Special Services		.15		.15
Medical Supplies & Oxygen		5.30		5.30
Taxes and Insurance		.60		.60
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$88.79</u>		79.93
Inflation Factor (4.90%)				3.92
Cost of Capital				9.06
Cost of Capital Limitation				(2.35)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive For General Services and Dietary				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$90.81</u>

ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1995
 AC# 3-JEH-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 687,777	\$ -	\$ 41,130 (1)	\$ 646,647
Dietary	187,051	33,392 (1)	-	220,443
Laundry	19,246	-	19,246 (1)	-
Housekeeping	53,062	-	2,432 (1)	50,630
Maintenance	93,595	3,103 (1)	-	96,698
Administration & Medical Records	166,773	4,008 (1)	-	170,781
Utilities	118,860	1,224 (1)	-	120,084
Special Services	2,342	-	-	2,342
Medical Supplies & Oxygen	73,248	10,303 (1)	-	83,551
Taxes & Insurance	19,045	-	9,626 (1)	9,419
Legal Fees	-	286 (1)	-	286
Cost of Capital	<u>132,357</u>	<u>64,877</u> (2)	<u>54,326</u> (1)	<u>142,908</u>
Subtotal	1,553,356	117,193	126,760	1,543,789

ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1995
 AC# 3-JEH-J5

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	-	12,682 (1)	-	12,682
Non-Allowable	(71,389)	97,148 (1)	64,877 (2)	(39,118)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Operating Expenses	<u>\$1,481,967</u>	<u>\$227,023</u>	<u>\$191,637</u>	<u>\$1,517,353</u>
Total Patient Days				<u>15,778</u>
Total Beds	<u>44</u>			

ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 1995
AC# 3-JEH-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Dietary	\$ 33,392	
	Maintenance	3,103	
	Administration	4,008	
	Utilities	1,224	
	Medical Supplies	10,303	
	Legal	286	
	Ancillary	12,682	
	Nonallowable	97,148	
	General Services		\$ 41,130
	Laundry		19,246
	Housekeeping		2,432
	Taxes and Insurance		9,626
	Cost of Capital		54,326
	Other Equity		35,386
	To adjust cost centers to amounts per the as filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	64,877	
	Nonallowable		64,877
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>227,023</u>	\$ <u>227,023</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1995
 AC# 3-JEH-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>44</u>
Deemed Asset Value	1,406,812
Improvements Since 1981	82,990
Accumulated Depreciation at 9/30/95	<u>(457,983)</u>
Deemed Depreciated Value	1,031,819
Market Rate of Return	<u>.070</u>
Total Annual Return	72,227
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	72,227
Depreciation Expense	74,161
Amortization Expense	-
Capital Related Income Offsets	(3,480)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	142,908
Total Patient Days	<u>15,778</u>
Cost of Capital Per Diem	\$ <u><u>9.06</u></u>

ALLENDALE COUNTY
D/B/A JOHN EDWARD HARTER NURSING CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1995
AC# 3-JEH-J5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 2.72
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.71</u>
Reimbursable Cost of Capital Per Diem	\$ 6.71
Cost of Capital Per Diem	<u>9.06</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.35)</u>